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Urbana, Ill.

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THE ANNUAL SHIPS OF THE SOUTH SEA
COMPANY, 1711-1736

BY
WILLIAM GERBING WOOD
A.B., Illinois Wesleyan University, 1927
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AN ABSTRACT OF A THESIS
SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR THE DEGREE OF DOCTOR OR PHILOSOPHY IN HISTORY
IN THE GRADUATE SCHOOL OF THE UNIVERSITY
OF ILLINOIS, 1938

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W. G. W.

Aug 23, 1939 G.S.

THE ANNUAL SHIPS OF THE SOUTH SEA COMPANY 1711-1736

With the end of the War of the Spanish Succession, the trade of Spanish America with Europe entered a new phase. The English, Dutch, French, and Spanish manufacturers, traders and statesmen were forced to adapt themselves to new circumstances and to meet new problems. The novelty of the situation following the Peace of Utrecht and the assignment of the Assiento and other trade privileges has no small historical importance. However, there were certain persistent forces at work in the economic world of the early eighteenth century that were either unchanged or, at most, superficially affected by the new arrangement. These forces had many of them been active from the early sixteenth century, and some of them persist even to the present day. Most basic of these forces, then as now, was the desire for profits on the part of individuals which continually caused them to go beyond the limits set by treaties, charters, *cedulas*, and all types of regulations whether their source was parliament, king, or court of directors. This almost universal tendency was not entirely unbridled but it managed to overleap so far the bounds imposed by the monopolistic regulations of the Spanish and the concepts of controlled trade to which governments and trading companies were enamoured as to permit the Spanish American trade to assume some of the aspects of a free market, with the place of origin of the goods shipped depending largely on their cost at the point of shipment.

The English and French began their negotiations for the re-establishment of peace in April, 1711. The first French proposals to the English offered them the Assiento and *des seuretés reelles* for their commerce in the Mediterranean and the Spanish West Indies. The ministers of England asked the French for a clear definition of what they meant by *des seuretés reelles*. Torcy, the first minister of France, replied that Gibraltar and Minorca would insure the security of English Commerce in the Mediterranean, but since he had not yet discussed *des seuretés reelles* for England's commerce to Spanish America with Spain, he was unable

to specify what the English might receive to secure their commerce to the Spanish West Indies.

In June, 1711, Mathew Prior was sent to France with the English answer to the French proposals. England demanded the Assiento and places of security in the Spanish West Indies. The French balked at giving the English strategic places in Spanish America which could be fortified and used as bases for illicit commerce. The French stake in Spanish America was considerable and they were afraid that the trade to the Spanish West Indies might fall under the domination of England. Nevertheless, France needed peace so badly that Louis XIV insisted that Spain give him full power to negotiate with the English. He was prepared to offer Puerto Rico to the English and might have gone further, but *The Preliminaries* concluded on October 8, 1711, provided that as an equivalent for *seuretés reelles* in the Spanish West Indies, the English were to receive the extension of the Assiento from ten to thirty years and a fifteen per cent advantage in the duties at Cadiz.

Following the signing of the Preliminaries, the negotiations between Spain and England were carried on directly. Lord Lexington and Manuel Manasses Gilligan represented England. In these negotiations the English accepted as an equivalent for the 15% advantage in duties at Cadiz the privilege of sending a 500 ton ship annually to trade with the *flota* or *galleons* at Vera Cruz or Cartagena and Portobelo as the case might be. The Assiento was to become effective on May 1, 1713.

The South Sea Company was created by an Act of Parliament in June, 1711. Since the Queen was empowered to formulate its charter and nominate its first officials and directors, the Company was in every respect a product of Robert Harley and his Tory Government. During the year 1712, the Company bought some £200,000 of merchandise, and the government agreed to furnish them with war ships to carry their goods to Spanish America. In order to provide the Company with an immediate opportunity to dispose of its goods the English ministers obtained licenses for two ships of 600 tons to go to Spanish America with merchandise. The Court of Directors of the South Sea Company received copies of these licenses together with the

Assiento on June 13, 1713. They decided to invest in addition £200,000 in goods for the Spanish American trade and began a period of feverish preparation for the exercise of the privileges granted to England by the Assiento and licenses.

Although the Company was permitted to examine the Assiento and the licenses received from Spain in June, 1713, the Queen did not assign the Assiento and licenses until late in November, 1713. The Assiento provided that the profits of the trade to Spanish America should be divided twenty-five per cent plus five per cent of the remaining seventy-five per cent of the profits of the annual ships to the King of Spain. The Queen of England was to receive a one-quarter share of the Assiento and could dispose of the remainder as she saw fit. After much wrangling, the Company received the entire English share of the Assiento.

Following the Assignment of the Assiento, the Company proceeded with its preparations for trade although its relations to Spain demanded redefinition. Since the Company by the terms of the Assiento had agreed to pay duties on 4000 negroes annually regardless of the number introduced into Spanish America, the Company owed 200,000 pesos for the eighteen months from May 1, 1713, to October 1, 1714. The Company was also required to advance 200,000 pesos to the King of Spain. The Directors of the Company wished to pay duties on only such negroes as they might introduce before May 1, 1715, from which date they would pay duties on 4000 negroes annually as stipulated in the treaty, they wanted to keep the 200,000 pesos, promised to the King of Spain, as his share of the trading capital and they objected to the oath by which they assumed personal liability for the fulfillment of the Company's obligations under the Assiento. The Company also wished to have the right to send their five hundred ton ships to Spanish America every year with the understanding that after the Company's factors had waited two months after the arrival of the ship for the galleons or flota, the goods of the ship could be sold without further delay. In short, the Company desired a rather complete explanation of the Assiento.

Although the Company had the licenses for the two 600 ton

ships, they were afraid to send their goods to Spanish America without a renewal of permission from the Spanish government. The fact that they planned to use the *Bedford* and the *Elizabeth*, warships of over 1000 tons burden each instead of 600 ton ships made rewording of the original licenses necessary. The King of Spain could very easily have insisted that the Company could not send ships of a burden in excess of 600 tons or sold permission for the *Bedford* and *Elizabeth* to enter Spanish American ports to the Company at a high price. Certainly he should never have permitted the ships to sail until all matters with regard to the Assiento were settled. However, in May, 1715, he approved the use of the *Bedford* and *Elizabeth* without receiving anything in exchange except promises that they would carry only 600 tons of goods each and that the annual ships should not exceed 500 tons in burden.

Paul Methuen, the English Ambassador to Spain, discovered that the Spaniards were not as willing to grant the Company a more favorable Assiento as they had been to permit the license ships to sail. In fact, his negotiations toward this end got nowhere until news of the death of Louis XIV reached Spain on September 11, 1715. Philip V upon receipt of this news immediately adopted a policy designed to attach England to Spain. This policy was largely prompted by Philip's position as the legitimate heir to the throne of France should the infant Louis XV die and the consideration that his renunciation of his claims to the throne might not prove an impassable barrier if he could win the friendship of England.

Four days after he received word of his grandfather's death, Philip opened negotiations with regard to explanations of the Assiento. The matters in dispute were one by one disposed of until finally in June, 1716, *The New Convention* embodying an explanation of the Assiento was ratified by England and Spain. In general this treaty represented a compromise which was highly favorable to the South Sea Company. By its terms, the negro duties were payable from May 1, 1714, and the Company was to pay the 200,000 pesos which they were already bound by the Assiento to advance to the King of Spain. On the other hand, the annual ships were to wait three months in

the Indies for the arrival of the galleons or flotas before disposing of their goods. The Company's negro ships were granted the privilege of depositing goods at Buenos Ayres. To compensate for the tonnage which the Company had not been able to take advantage of in the years 1714, 1715 and 1716, the maximum burden of the annual ship was raised to 650 tons for the ten years from 1717 to 1727. In addition, after the treaty was concluded, the Company inserted a clause defining the ton as two malaga butts or 55 cubic feet.

The *Bedford* and *Elizabeth*, the license ships of the South Sea Company sailed from Spanish America in the late summer of 1715. The *Bedford* met with considerable difficulty at Cartagena. The Royal Officers there seized her cargo on the grounds that it was over the tonnage permitted by the King of Spain's license. The Spanish officials computed the tonnage of the *Bedford's* cargo at 2117 tons. The Company insisted that the cargo amounted to only 537 tons and argued that since the burden of the *Bedford* was only 1072 tons, it could scarcely have carried more than 600 tons of goods, because the supplies and provisions carried required so much space. The *Bedford* was undoubtedly loaded to capacity and its cargo probably exceeded the limits of the license. Nevertheless, in October, 1716, the Spanish government ordered the vessel's cargo restored to the Company. This action was prompted by Spain's desire to please England rather than by the merits of the Company's case. Although the expenses of the *Bedford's* voyage were weighted with heavy interest charges and the factors of the Company mismanaged the sale of the cargo by retaining too many goods at Cartagena, the *Bedford* made a total profit of £36,780.

The voyage of the *Elizabeth* to Vera Cruz was characterized by the cooperation of the Company's factors at that place with the Royal Officers toward the end that their personal fortunes might be enhanced at the expense of Spain and the Company. Thorowgood, the chief factor, returned to England with the *Elizabeth* in the autumn of 1716. He admitted that the *Elizabeth* carried a large amount of private goods but insisted that they belong to Spanish officials in New Spain. The Company discharged Thorowgood because he had returned with the ship.

In spite of huge interest charges and the private trade of the factors, the voyage of the *Elizabeth* showed a profit of £70,460.

The first annual ship built by the South Sea Company was completed in March, 1717, and named the *Royal Prince* in honor of the Prince of Wales. The burden of the new ship, according to the computations of mathematicians was 623 tons, but there is some reason to doubt the correctness of this figure. Besides the *Royal Prince*, the *Sarah Galley*, a 150 ton supply ship, and the *Diamond*, man of war, were dispatched to the fair at Vera Cruz in the year 1717. Although the Directors of the Company denied that the *Sarah Galley* or *Diamond* carried merchandise, the records of the Company show that they shipped goods on the *Sarah Galley* and ordered their factors to bribe the Spanish officials to gain admittance to Vera Cruz for that vessel. The cargo of the *Royal Prince* was valued at £256,855. The total profit made on the *Royal Prince's* first voyage to Vera Cruz was £30,184, including the King of Spain's share.

For the fairs at Cartagena and Portobelo the Company built the *Royal George*. After this ship was fully loaded and ready for its voyage, the Spaniards refused to permit it to sail during the year 1718, on the grounds that the fairs would not be held that year. The delay of a year in the sending of their ship would not have greatly inconvenienced the Company. But events, the origins of which had little relationship to the Company's affairs, postponed the sailing of the annual ship to the summer of 1721 and brought about the seizure of all English effects in the Spanish West Indies and the complete cessation of the Company's trade to those parts. The English ministers in the early summer of 1718, dispatched a fleet to the Mediterranean to put a stop to a Spanish expedition to Sicily. Unfortunately, this could only be accomplished by force and the British fleet destroyed the Spanish fleet off Cape Passaro on August 10, 1718. By this action the British kept faith with the Quadruple alliance; but they also gave the Spaniards reason for seizing the effects of the English in Spain and the Spanish West Indies. The Spaniards by refusing to permit the South Sea Company to resume its trade were able to force George I to

promise that he would recommend to Parliament the restitution of Gibraltar to Spain as soon as the temper of that body permitted.

During the year 1720, the Court of Directors of the South Sea Company were largely concerned with the financial transactions connected with the *Bubble*. The effect of this phase of the Company's history on its commerce was unimportant, for it occurred at a time when the trade to Spanish America was suspended. The new Directors who replaced those involved in the *Bubble* were men of the same stamp as those whom they succeeded and they carried on the same policies in their management of the Spanish American trade.

In November, 1721, the *Royal George* sailed for Cartagena with a cargo valued at some £263,000. The ship was accompanied by a man of war to Antigua, and a 100 ton ship, the *Asiento*, was especially built to carry supplies to her. If either her convoy or supply ship engaged in any illicit commerce the Spaniards made no complaint. Early in March, 1723, the *Royal George* returned to England. The profits of the voyage amounted to £11,850. Since the cargo of the ship was purchased in 1717 and early 1718, interest charges, deterioration and expenses resulting from the delay were largely responsible for the smallness of the profit made on the first voyage of the *Royal George*.

The *Royal Prince* was prepared for a voyage to Vera Cruz in 1722, but the Spaniards on the plea that Mexico was over stocked with European goods did not send a flota that year and refused to allow the Company to send its annual ship. The ministers of Spain did what they could to soften the resentment of the English which resulted from the postponement of the voyage of the *Royal Prince* by promising to permit two ships to go to Spanish America in 1723 and by offering to consider certain complaints of the Company. However, the ease with which Spain was able to prevent the departure of the ship clearly demonstrated the weakness of the Company in its relations to Spain.

Before the *Royal Prince* sailed for Vera Cruz in May, 1723, the Directors of the Company instituted a system whereby the cargo of the ship was to be managed by supercargoes. Thorow-

good, who had been discharged from the Company's service in 1718, was made chief supercargo. After the *Royal Prince* returned to London in December, 1724, the Directors discovered that the accounts of the supercargoes were unsatisfactory. The supercargoes met the charges made against them with the explanation that the incompleteness of their accounts was the result of a number of deaths among their assistants. Regardless of whether or not the supercargoes were honest, the profit from the second voyage of the *Royal Prince* was almost twice as great as from the first. The total profit of the first voyage was £30,184, that of the second was £57,579.

The second voyage of the *Royal George* which began on February 14, 1724, was plagued by ill luck and dishonesty. The conduct of the chief supercargo of the vessel, one Bumpsted, in connection with the disposal of the ship's cargo was highly suspicious. On January 1, 1727, the homeward bound *Royal George* was condemned at Antigua in spite of protests against the proceedings by the officers of the ship. The *Kinsale*, man of war, which was acting as convoy, took on board the £262,102 of gold and silver from the annual ship and carried it to London. Since the Captain of the *Kinsale* received £5,242 for freighting the treasure of the *Royal George* to London, the part played by him in the condemnation of the vessel may have been motivated by other considerations than the best interests of the South Sea Company. Those who carried the insurance on the *Royal George* sent a crew of men to Antigua and these sailed the vessel to England. The scandals circulated through London concerning the *Royal George's* second voyage did a great deal to undermine the faith of the South Sea Company stockholders in the management of their affairs and lowered the prestige of the annual ships.

The cargo of the *Royal George* was valued at £264,964, of which £42,759 was for Cartagena and £222,204 for Portobelo. In spite of the fact that the treasure returned by the *Royal George* was itself sufficient to cover all but about £2000 of the cost of the cargo of the ship, the Company estimated that the loss on the voyage was £35,753. Since the accounting on the

returns of this voyage was made while England and Spain were at war, the loss was probably exaggerated.

During the year 1724, the relations between England and Spain and the South Sea Company became strained. Spain sent several secret orders to Spanish America cancelling certain privileges of the Company. The Company's new annual ship, the *Prince Frederick*, was denied permission to sail to Vera Cruz. The relations of the Company to Spain were complicated by a realignment of the European nations. Spain and the Empire in the autumn of 1724 opened negotiations for the settlement of their disputes and they concluded a treaty of alliance at Vienna in May, 1725. On September 3, 1725, England, France, and Prussia concluded the Treaty of Hanover in which they promised each other support against the allies of Vienna.

Since the effectiveness of the Alliance of Vienna seemed to depend upon the ability of Spain to pay subsidies to the Empire, the English determined to destroy the King of Spain's ability to make payments to the Emperor by preventing the return of the flota and galleons both of which were in the West Indies. For this purpose an English fleet was sent to blockade the galleons in April, 1726. The English fleet failed to achieve its purpose. In March, 1727, the flota returned to Spain with the proceeds of a very profitable fair. Although the galleons were kept at Portobelo, their treasure was shipped to Havana and returned to Cadiz with the flota.

In spite of the threatening international situation, the South Sea Company had dispatched the *Prince Frederick* with a cargo of almost £400,000 to Vera Cruz in the summer of 1725. The return of the flota and the treasure of the galleons replenished the King of Spain's treasury and relieved him of the necessity of respecting English property in his dominions. In July, 1727, the *Prince Frederick* and its cargo were seized by the Spanish officials at Vera Cruz.

During the negotiations which were finally consummated on November 9, 1729, in the Treaty of Seville, the restoration of the *Prince Frederick* and the commerce of the South Sea Company were important issues. Although the charges and counter charges made by the Company and Spain were discussed at the

Congress of Soisson during the summer of 1728, such discussions were barren of results. In short, until England in the treaty of Seville agreed to assist Spain in Italy, the fate of the *Prince Frederick* and the South Sea Company's trade was uncertain.

The *Prince Frederick* returned to England in April, 1733—just four years and eight months after her departure. As a result of interest charges, the ruin of the ship by its long detention in tropical waters and the unusual expenses relative to the return of the vessel, the Company accepted a large loss on the *Prince Frederick's* voyage. The Company's accountants estimated the total loss on the voyage to be approximately £128,350.

The last two annual ships of the South Sea Company were the most successful. The *Prince William* sailed for the fairs at Cartagena and Portobelo in November, 1730. In September, 1731, after the quickest voyage of any annual ship in the Company's history, the *Prince William* returned to England. Although the supercargoes of the ship were undoubtedly guilty of private trade, the *Prince William's* voyage made a profit of £52,382. Since the cost and charges of the ship and cargo on this voyage amounted to £242,326, the *Prince William* made a 21½ per cent profit over and above interest charges and all other expenses.

The *Royal Caroline* sailed for Vera Cruz in September, 1732, and returned to England in January, 1734. The *Royal Caroline*, the last of the annual ships, made a total profit of approximately £100,000. Perhaps the remarkable success of the ship was largely the result of the elaborate precautions taken by the Directors of the Company to prevent private trade by the supercargoes and officers of the ship. Certainly it was more than a coincidence that the supercargoes of the most successful annual ship did not carry on private trade beyond that permitted by the Company.

In February, 1733, the stockholders of the South Sea Company replaced the officers and directors of the Company who had managed the Company's trade since 1721. This change was important. The old Directors had followed a reckless and aggressive policy in carrying on the Company's trade. The new Di-

rectors followed a policy of retrenchment and economy. They favored the acceptance of the equivalent for the annual ship which Spain offered in 1732 and made no sincere effort to send an annual ship to Spanish America. The South Sea Company declined in importance and its right to send an annual ship was forfeited, because it ceased to struggle for its privileges, tried to barter away its rights and feared to run the risks involved in trade.

VITA

William Gerbing Wood was born in Brooklyn, Wisconsin, on December 17, 1905. In 1923 he was graduated from the Auburn Township High School, Auburn, Illinois. After one year at Wesleyan University and three years at Illinois Wesleyan University, he received an A.B. degree from Illinois Wesleyan University in 1927. In the school year of 1927-8 he became a teacher of history and economics in the DeLand Township High School, Deland, Illinois, where he remained until 1931. In the fall of 1931, he did graduate work in sociology at the University of Illinois. In 1932-3 he resumed his teaching in the DeLand Township High School where he remained as teacher and principal until 1936. In the summer of 1933 he received his M.A. degree in sociology from the University of Illinois. During the school year of 1936-37 he resumed his graduate work at the University of Illinois. The months from September until December, 1937, were spent in England gathering material for this thesis. During the school year of 1938-39 he will be employed as instructor in the social science department of the Eastern Illinois State Teachers College, Charleston, Illinois.

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